

Rocky Mountain College

School Finance

April 11, 2009

Lesson 1 – Purpose: Gain insight into the school district financial reporting process and the administrators' role. Note: Read through the material for a general understanding of governmental accounting. Later we will focus on developing budgets and managing school finances.

Reading assignment:

Wyoming Accounting Manual

Section 1: Accounting Concepts – entire section

Section 2: Budgeting – Good Budgeting Practices, Legal Foundation for the Budget Process, and Responsibilities of School District Officials

Questions:

Internal Control Structure

Internal control structure (or internal control) refers to financial procedures, which, if followed, provide some assurance that the entity is functioning as intended. A system of internal control structure is built by linking many procedures together. For example, a school's library book budget sets a limit on expenditures for library books for a given period of time. The expenditures for library books are done through a requisition, purchase order, receiving report, invoice, and subsequent payment. The system of internal control for such a purchase starts with an adopted budget and ends with the payment. The internal control structure is the approval and verification process that happens during the purchase. Internal control procedures must be documented in order to be verifiable. Therefore, during your administrative career you will sign and date many documents as evidence of your approval. Secured electronic approvals are very common and are acceptable business practices in schools today.

Prepare a report describing some aspect of internal control structure observed during your principal shadowing work.

How does your example keep a misstatement from going undetected? Or, how does your example safeguard school assets? Or, how does your example provide reasonable assurance that district objectives will be achieved?

Group discussion:

Consider your mentor's role in their school district internal control structure and, as a class or with your groups, please discuss your observations. Feel free to discuss the entire reading assignment. At some point during the class you may find it interesting to read your district's Management, Discussion, and Analysis (MD&A). If you have trouble finding your Annual Financial Report, just let me know and I will locate a copy for you.

Real Life Questions from Principals:

Can I use a signature stamp?

Why do my orders have to be received at the warehouse?

I am at a conference and want to purchase materials from the presenter (it's a chance of a lifetime) – how do I do this without a purchase order?

If I go over my budget, will the Board of Trustees know?